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For action

Biennial support budget for 2000-2001

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Children's Fund (UNICEF) on the biennial support budget for 2000-2001 (E/ICEF/1999/AB/L.7). In addition, the Committee had before it reports on amendments to the UNICEF financial regulations (E/ICEF/1999/AB/L.9) and on UNICEF strategy and investments in information technology (IT) (E/ICEF/1999/AB/L.6). During its consideration of the reports, the Committee met with the Executive Director and her representatives, who provided additional information.

2. The Advisory Committee welcomes the improvements in the presentation of the report on the biennial support budget and the additional information provided during the Committee's examination of the estimates for the biennium 2000-2001. The Committee notes that efforts have been made to include in the budget report an indication of the implementation and follow-up of almost all of the prior recommendations of the Committee, as specifically mentioned, for example, in paragraphs 4, 8 and 98 of the report. As requested by the Committee in its report on the UNICEF biennial support budget for 1998-1999 (E/ICEF/1998/AB/L.2, paras. 9, 12, 26 and 27), explanations and annexes have been provided, for example, on the integrated budgeting approach (E/ICEF/1999/AB/L.7, paras. 33-35); on the programme and support budget and the number of posts funded from the two sources (E/ICEF/1999/AB/L.7, annex III); and on the medium-term plan of the Private Sector Division (E/ICEF/1999/AB/L.7, annex IV).

Resources income

3. Table 1 of the budget report shows that for the biennium 2000-2001, total projected resources would amount to $2,662.0 million, as compared with planned resources of $2,345.0 million for the biennium 1998-1999. For 2000-2001, regular resources are projected at $1,378.0 million and other resources at $1,284.0 million, as compared with regular resources of $1,228.0 million and other resources of $1,117.0 million for 1998-1999. Upon request, the Advisory Committee was informed that revised total resources in 1998-1999 would amount to $2,507.0 million, comprising opening balances of $374 million, actual resources in 1998 of $1,059.4 million and revised total resources in 1999 of $1,073.5 million.

4. For the biennium 2000-2001, income from the private sector for both regular resources and

* E/ICEF/1999/15.

other resources is projected at $725 million, or 27.2 per cent of the total resources projected for 2000-2001, as compared with private sector income of $616 million for the biennium 1998-1999, or 26.3 per cent of the total resources. Annex IV to the budget report shows the private sector annual income and expenditure estimates for 1999-2001.

5. Resources from fees to be received for procurement services of supplies are projected at $14 million for the biennium 2000-2001, as compared with $8 million for the biennium 1998-1999, or 75 per cent higher. The Advisory Committee sought clarification as to the reasons for the increase in the projection for this category of resources and was informed that "the procurement services throughput handled by the Supply Division increased from $54 million in 1997 to $88 million in 1998. It is expected to increase to $150 million in 2001."

6. Resources shown under special accounts in table 1 are estimated at $100 million for 2000-2001, as compared to $60 million for 1998-1999. The Advisory Committee recalls that resources under special accounts are funds from Governments, other organizations of the United Nations system and non-governmental organizations (NGOs) that are accepted and administered within the framework of the UNICEF mandate, but that do not constitute part of UNICEF income (E/ICEF/1998/AB/L.2, para. 11). Upon inquiry, the Committee was informed that, based on projections for the oil-for-food programme in Iraq and recent negotiations with the World Bank and others, the special account income is now projected to total $150 million for 1998-1999 and at least $100 million for 2000-2001.

7. The Advisory Committee understands that amounts budgeted under special accounts are for activities that are consistent with the UNICEF mandate but outside the programme approved by the Executive Board for UNICEF (e.g., the oil-for-food programme). That being the case, the categorization of special accounts at UNICEF is similar to what has been categorized as trust funds in other funds and programmes of the United Nations. The Committee recommends that UNICEF use the standard terminology used by other funds and programmes for this type of resource.

8. As requested by the Advisory Committee, table 1 shows the estimated total closing balances for the bienniums 1998-1999 and 2000-2001, amounting to $428 million and $373 million, respectively. The Committee recalls that, as compared with other funds and programmes of the United Nations system, for example, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Office for Project Services (UNOPS), UNICEF has not established an operational reserve (report A/53/5/Add.2). As indicated in paragraph 8 of the biennial support budget for 2000-2001, UNICEF maintains a liquidity policy with a minimum year-end regular resources convertible cash balance equal to 10 per cent of the projected regular resources income. The cash balance for other resources can vary widely, depending on the timing of the receipts of funds and the implementation of the programmes. The Committee is aware that the year-end balances are a function of liquidity as well as efficiency of programme delivery, and that year-end balances and operational reserves are not the same; the amount for the operational reserve is set at the time of approval of the budget, while year-end balances are known only at the end of the period concerned and not at the beginning.

9. Accordingly, the Advisory Committee recommends that UNICEF analyse the advantages and disadvantages of establishing an operational reserve for both regular and other resources, taking into account the experience of other funds and programmes in this regard (DP/1999/5/Rev.1) and the pertinent observations of the Advisory Committee above (see also DP/1999/26).

10. As indicated in paragraph 7 and table 1 of the report, for 2000-2001, 76.2 per cent of the total resources will be used for programmes, and the remaining 23.8 per cent for the support budget (15.5 per cent for programme support and 8.3 per cent for management and administration). The Advisory Committee notes that the proportion of resources for the support budget would be reduced from 26.6 per cent in 1998-1999 to 23.8 per cent in 2000-2001.

II. Biennial support budget estimates for 2000-2001

11. As shown in table 1 of the budget report, for 2000-2001, the biennial budget estimates financed from regular resources amount to $545.5 million gross ($493.5 million net), as compared to $527.4 million gross ($493.5 million net) for 1998-1999.

12. Estimated income and adjustments to the biennial support budget amount to $52 million for 2000-2001 (including $40 million from recovery

charges), as compared to estimated income to the support budget of $33.9 million for 1998-1999 (including income from recovery charges of $24.4 million). Recovery charges are to cover the costs for programme support and management and administration, which the organization must bear to implement other resources. The methodology upon which the recovery charges are currently based is discussed briefly in paragraphs 96-98 of the budget report. The Advisory Committee was informed that the new recovery rate of 5 per cent was introduced after the second regular session of the Executive Board in 1998. This rate is to be applied, in accordance with Executive Board decision 1998/21 on "Review of the recovery policy of UNICEF" (E/ICEF/1998/6/Rev.1), to all new agreements to be signed after the second regular session of the Executive Board in 1998. The Committee notes in table 8 that potential interest income that could be earned on other resources cash balances would be used to offset the total variable cost. Thus, for the biennium 2000-2001, the potential future interest, estimated at $36 million, would be used to reduce the percentage of indirect support to total other resources programmes from 9 per cent to 5 per cent. The Committee questions the appropriateness of using future interest income to determine the recovery rate.

13. The Advisory Committee has questioned the procedure whereby interest income that is credited to regular resources would, in fact, be used to offset support costs, as it does not provide a clear accounting trail (E/ICEF/1998/AB/L.12, para. 8). The Committee reiterates its view that, in light of potential fluctuations in the pattern of receipts and disbursements of other resources, as well as fluctuations in exchange rates and interest rates, it would not be prudent, as a matter of policy, to rely on interest income accruing on cash balances of other resources to cover shortfalls in support costs recovery (E/ICEF/1998/AB/L.12, para. 9).

14. The Advisory Committee is of the opinion that a 5 per cent recovery is inadequate in view of the current level of other resources. The projected increase in regular resources may, for the time being, obviate the need for urgent review of the recovery rate. In annex V(c) of the budget report, the Executive Director, using various assumptions, estimates a recovery rate of 14 per cent. In this connection, the Committee recommends that UNICEF continue to compile adequate data so that it will be able to calculate, in due course, a recovery rate that should further reduce the apparent subsidy from regular resources.

15. The Advisory Committee recalls that, for the biennium 1998-1999, the Executive Director had estimated provisions of $14.7 million to cover the amount needed to refund staff members for income taxes levied by Member States in respect of income derived from the organization (E/ICEF/1998/AB/L.1, paras. 39 (a)(iv) and 40 (d)). In this connection, the Committee had been informed by UNICEF that it intended to follow the same approach as UNDP and UNFPA and charge the equivalent of the amount needed to refund staff members for income taxes levied by Member States to the voluntary contributions of the countries concerned and credit the biennial budget in the same amount (E/ICEF/1998/AB/L.2, para. 15). The Committee further recalls that, as with the budgets of UNDP and UNFPA, it endorsed this procedure (DP/1997/31, para. 11, and DP/FPA/1997/15, para. 14). Prior to the introduction of the procedure, for a voluntary fund that does not have a tax-equalization fund, the amounts that were reimbursed for taxes levied by Member States were a direct charge to the biennial budget, and thus to the voluntary contributions as a whole, without any corresponding offset (DP/1997/CRP.9 and DP/1997/23, para. 61). The Committee agreed that the introduction of an accounting linkage with voluntary contributions of Member States that collect such income tax would allow for a more appropriate presentation of the net biennial budget costs (E/ICEF/1998/AB/L.2, para. 32).

16. The Advisory Committee notes from table 1 of the budget report that UNICEF does not show as income to the biennial budget the tax reimbursement estimates for 1998-1999 and 2000-2001, in accordance with the procedure indicated in paragraph 15 above. Upon inquiry, the Committee was informed that, of the total amount of $14.7 million for staff tax reimbursement in 1998-1999, $7.2 million was estimated for 1998 and $7.4 million for 1999. The actual amount of refunds to staff members for income taxes levied by the host Government amounted in 1998 to $8.8 million, and the actual voluntary contribution from this donor in 1998 was $100 million. The estimated amount for staff tax reimbursement for 2000-2001 is $15,785,300. These amounts are included as staff costs in the biennial budget with no offset of biennial budget resources. The Committee reiterates its recommendation that UNICEF implement the same procedure that the Committee endorsed for UNDP and UNFPA, and trusts that the intention referred to in paragraph 15 above will be reflected in the revised estimates for 2000-2001.

17. Table 1 shows that, for the biennial support budget, estimated income in 2000-2001 would include reimbursement of services amounting to $1 million under regular resources and $13.9 million under other resources. Upon inquiry, the Committee was informed that the income estimate of about $1 million under regular resources relates to the fees for the administration of the Junior Professional Officers programme sponsored by Governments. The amount of $13.9 million, under other resources, relates to income estimates from reimbursement of support costs (shown in summary table IV of the budget report) for procurement services carried out by UNICEF for Governments, United Nations agencies and NGOs.

18. As shown in table 3 of the budget report, changes in the net budget estimates for 2000-2001 include a net volume decrease of $1.8 million, offset by inflation/currency and other cost adjustments estimated at $19.8 million and an increase in estimated income to the support budget of $18.1 million. Thus, the net support budget estimate for 2000-2001 of $493.5 million is a near non-growth budget, as compared with the 1998-1999 approved support budget of $493.5 million (table 1, but $493.6 million in tables 2 and 3). The net volume decrease of $1.8 million reflects a decrease of $13.5 million, mainly as a result of efficiency savings, partially offset by a proposed increase of $11.7 million towards priorities of the medium-term plan and the strengthening of the support capacity of certain offices in Africa and global IT operations (E/ICEF/1999/AB/L.7, paras. 13-17).

19. Upon request, the Advisory Committee was provided with revised expenditure estimates for 1998-1999 by object of expenditure (see annex to this report). The Committee requests that in the future this information be included in the additional information given to the Committee in writing during its review of the budget, as requested in its report on harmonization (DP/1999/7, DP/FPA/1999/3, E/ICEF/1999/AB/L.4, para. 9).

20. The Advisory Committee notes from table 3 that the net volume reduction of $1.8 million in 2000-2001 includes proposals to reduce programme support at headquarters ($4.4 million) and increase management and administration of the organization at headquarters ($1.9 million), and programme support in country and regional offices ($0.7 million). Corresponding changes in posts in 2000-2001 are shown in table 5 of the budget report. The Executive Director proposes the addition of 8 posts, reflecting an increase of 64 International Professional posts and 15 National Professional posts and a decrease of 71 posts in the General Service and other categories.

21. Summary table III shows that for 2000-2001, the total number of posts proposed under the biennial support budget is 2,467 (790 International Professional, 244 National Professional and 1,433 General Service and other categories posts), as compared with the authorized staffing for 1998-1999 of 2,459 posts (726 International Professional, 229 National Professional and 1,504 General Service and other categories posts). Upon request, the Advisory Committee was informed that the actual vacancy rate for International Professional posts was 8.5 per cent as of July 1999, and that it is normal for the vacancy rate to be higher than the average for the biennium at this time of year. For the biennial support budget for 2000-2001, a vacancy rate of 6 per cent was budgeted for International Professional posts. UNICEF did not apply the vacancy rate to the General Service category and National Professional posts, as the vacant posts are, in some cases, filled by temporary assistance and the recruitment time is much shorter.

22. As shown in table 7 of the budget report, in 1998-1999, provision for UNICEF IT requirements amounts to $42.7 million. The Advisory Committee welcomes the efficiency gains derived from using new technology in UNICEF operations mentioned in paragraph 18 above; however, it notes that these gains have not been reflected in reduction of personnel at headquarters. On the contrary, of the 64 additional International Professional posts proposed for 2000-2001, 45 posts (or 70 per cent of the total) are for headquarters, for functions that, in the view of the Committee, do not require further increases in staff (see paras. 25 and 26 below). In the Committee's opinion, efficiency gains derived from the use of new technology and the implementation of cost-saving measures should at least keep in check the growth of staff costs at headquarters, while decreasing the number of support staff.

23. Upon inquiry, the Advisory Committee was informed that UNICEF established a target of one secretary to four professional officers for 1998-1999 (excluding the head of the office), and for 2000-2001 more offices have adjusted their staffing accordingly. Previously, UNICEF had an average secretarial ratio of two secretaries to three professional officers. The Committee welcomes these efforts but notes that, while attempts are made to present the biennial support budget for 2000-

2001 with no growth, the provision for posts would increase from $341.4 million in 1998-1999 to $364.4 million in 2000-2001, and other staff costs would increase from $18.7 million in 1998-1999 to $24.6 million in 2000-2001 (E/ICEF/1999/AB/L.7, table 2).

24. In paragraph 63 of the budget report, the Executive Director requests a third Assistant Secretary-General (ASG)-level post for a Deputy Executive Director. The Advisory Committee discussed this proposal with the Executive Director and her representatives. On the basis of this testimony, the Committee was not persuaded that an additional Deputy Executive Director post at the ASG level would be justified. Accordingly, the Committee does not recommend approval of the request.

25. As indicated in paragraph 68 of the budget report, the Executive Director proposes five additional posts for the Programme Funding Office (PFO), for a total of 31 posts in 2000-2001. The Advisory Committee does not see merit in increasing the number of posts in PFO. The level of contributions to UNICEF does not directly relate to the size of the funding office, and in the view of the Committee, the current level of 26 posts for this office should suffice.

26. In paragraph 79 of the report, three additional posts are requested for the Division of Human Resources (DHR). Upon inquiry, the Advisory Committee was informed that one additional post is at the P-4 level and two are General Service posts. These posts are requested to manage personnel data used for payroll purposes. In the Committee's opinion, a restructuring of DHR does not constitute a valid justification for the request. The reorganization described in paragraph 78 of the budget report should lead to a higher level of services and efficiency savings, rather than additional staff costs. Furthermore, human resources management is a function that should continue to profit from the use of extensive automation, thereby obviating the need for additional posts. Accordingly, the Committee does not recommend approval of three additional posts.

27. A net increase of two posts for the Operations Centre (OPSCEN) of the Office of Emergency Programmes is proposed in paragraph 54 of the budget report. Upon request, the Advisory Committee was provided with detailed information on the work of OPSCEN and its existing and proposed staffing for 2000-2001. The Committee recommends approval of the two additional posts (one P-3 and one General Service). The Committee also recommends that UNICEF explore with the United Nations Secretariat the feasibility of establishing a common approach to requirements for information relating to emergencies and humanitarian assistance, including the possibility of joint facilities.

28. The Executive Director proposes, in paragraph 57 of the budget report, that the post of Director of the International Child Development Centre in Florence be funded from the biennial support budget in 2000-2001. The Advisory Committee has no objection.

29. As regards the proposal for reclassification in the Division of Evaluation, Policy and Planning (para. 66), the Advisory Committee was informed, upon request, that five posts are proposed for reclassification. One P-5 post (Chief, Evaluation Section) would be reclassified at the D-1 level, two P-4 posts at the P-5 level and two P-3 posts at the P-4 level. Detailed reasons for the reclassifications were provided to the Committee. On the basis of the information provided, the Committee is not convinced that the reclassification to D-1 is warranted, but recommends acceptance of the other proposals.

30. There is a proposal to increase the staffing of the Division of Communication by four posts at the junior level (para. 77). Upon inquiry, the Advisory Committee was informed that the proposal included the abolition of two P-5 posts and one P-3 post and the establishment of one P-5, two P-3 and four P-2 posts, with different functions. Detailed explanations in writing were provided to the Committee in support of the abolition and establishment of the posts in question. The Committee has no objection.

31. The Advisory Committee notes from paragraphs 42 and 43 of the budget report that in the biennium 2000-2001, UNICEF will participate in the plan of the United Nations Development Group (UNDG) Sub-group on Common Premises and Services, for further establishment of common premises in the field. According to the plan endorsed by the four organizations participating in the establishment of United Nations Houses (UNDP, UNICEF, UNFPA and the World Food Programme), 15 United Nations Houses would be established by 2004 (DP/1999/CRP.5, para. 22). The share of the costs of UNICEF in the budget for the evaluation of potential projects, planning, management and oversight of the programme is estimated at $514,000 for the biennium 2000-2001. Costs related to the implementation of projects on common premises would be covered by each participating organization according to the amount of space it may occupy and

the actual costs for one-time items. UNICEF plans to fund its share in this category of expenditure from its existing reserve fund for field accommodation established in 1990. The Committee was informed that the long-term advantages offered by the establishment of common premises under the United Nation House programme, such as security, safety and opportunity for agreements on common services, would be preferable to the present arrangements.

32. In this connection, the Advisory Committee was informed that no direct costs have been identified for UNICEF participation in the UNDG and its sub-groups, or in the Executive Committees (on development, humanitarian affairs and peace and security), in which UNICEF has actively collaborated under the reform programme of the Secretary-General. The Committee was provided a list of United Nations working groups in relation to United Nations reform in which UNICEF participates.

III. Information technology

33. The Advisory Committee considered the progress report on the UNICEF strategy and investments in IT (E/ICEF/1999/AB/L.6). The Committee welcomes the report and commends UNICEF for the focus and leadership provided in the introduction of IT in the core functions of its operations.

34. As indicated in table 7 and paragraphs 94-95 of the budget report (E/ICEF/1999/AB/L.7), the overall IT budget for the biennium 2000-2001 would amount to $47.3 million, reflecting an increase of $4.6 million, or 10.8 per cent, as compared to the provision of $42.7 million for IT for the biennium 1998-1999. The Advisory Committee notes that the proposal includes the conversion of 25 consultant positions to posts in the biennial support budget, to a total of 74 posts and 74.5 full-time temporary staff (see also summary table III of the budget report).

35. Upon inquiry, the Advisory Committee was informed that UNICEF is in the process of implementing a Help Desk service. Detailed information was provided on staffing, workload statistics and coverage of its global and New York Help Desks. The Committee requests that this information be included in the next biennial budget estimates. The Committee notes with regret the information given in paragraphs 81-84 of document E/ICEF/1999/AB/L.6, which indicates that coordination in the field among members of the United Nations system tends to be haphazard on IT matters. The Committee trusts that with the trend to establish more United Nations Houses in the field, greater opportunity may be available for cooperation and coordination on common services, including IT matters.

IV. Financial regulations

36. The Advisory Committee considered proposals for amendments to UNICEF financial regulations as set out in document E/ICEF/1999/AB/L.9. The bulk of the amendments relates to changes brought about by the harmonization of budget presentations with UNDP and UNFPA. The Committee has no objection to the changes.

37. The Advisory Committee notes that a new regulation 8.6 is proposed. The objective, according to the administration of UNICEF, is to address the findings of the Board of Auditors. In the view of the Committee, the proposed amendment does not address the concern of the Board of Auditors or of the Committee (A/51/533, paras. 85-86). The Committee points out that the proposed amendment is, in fact, a definition of expenditure. This definition is already provided in Regulation 1.1(m) of the UNICEF financial regulations.

38. In paragraphs 12-18 of its financial report and audited financial statements for the biennium ended 31 December 1997 (A/53/5/Add.2), the Board of Auditors reiterated its concern on the issue of accounts and financial reporting of cash assistance to Governments. In its report for the biennium ended 31 December 1995, the Board had expressed concern about the long-outstanding cash assistance to Governments and the recording of such assistance as programme expenditure at the time funds were advanced to Governments, contrary to the definition of programme expenditures in the UNICEF financial regulations and the policy manual on accounts. The Board had therefore recommended that the Administration review the policy of recording cash assistance to Governments in line with the provisions of the financial regulations and the policy manual on accounts. In paragraph 61 of its report A/53/513, the Advisory Committee reiterated its regret that the recommendations of the Board had not been implemented by the UNICEF administration, even though it was fully supported by the Committee and endorsed in General Assembly resolution 51/225 of 3 April 1997.

39. Accordingly, the Advisory Committee does not recommend acceptance of the proposed new

regulation 8.6. The Committee insists that the UNICEF administration should comply fully with the recommendation of the Board of Auditors and implement the current UNICEF regulations. The Committee points out that when the Board of Auditors made similar observations on other funds and programmes (for example, the Office of the United Nations High Commissioner for Refugees and UNFPA), the administrations did not call for amendments to their financial regulations, but proceeded to take steps to implement the recommendations of the Board.

Annex

ESTIMATED PROJECTION FOR 1998-1999 AS COMPARED WITH THE APPROVED APPROPRIATION
(In thousands of United States dollars)

	Estimated projection for 1998-1999	Approved appropriation	Estimated unencumbered balances
Country and regional offices			
Posts	170,169.6	184,226.0	14,056.4
Other staff costs	7,688.5	7,918.3	229.8
Consultants	1,235.8	1,657.8	422.0
Travel on official business	11,325.5	12,158.4	832.9
Operating expense	50,087.6	53,792.4	3,704.8
Furniture and equipment	10,414.0	7,650.0 a/	(2,764.0)
Reimbursement	3,335.1	2,942.3 b/	(392.8)
Total, Country and regional offices	254,256.1	270,345.2	16,089.1
Headquarters			
Posts	156,668.9	157,139.2	470.3
Other staff costs	10,256.2	10,732.3	476.1
Consultants	5,382.5	3,943.1 c/	(1,439.4)
Travel on official business	9,396.4	10,232.5	836.1
Operating expense	55,792.5	57,803.0	2,010.5
Furniture and equipment	7,550.8	7,550.8	-
Reimbursement	9,812.5	9,749.8 d/	(62.7)
Total, Headquarters	254,859.8	257,150.7	2,290.9
Total			
Posts	326,838.5	341,365.2	14,526.7
Other staff costs	17,944.7	18,650.6	705.9
Consultants	6,618.3	5,600.9	(1,017.4)
Travel on official business	20,721.9	22,390.9	1,669.0
Operating expense	105,880.1	111,595.4	5,715.3
Furniture and equipment	17,964.8	15,200.8	(2,764.0)
Reimbursement	13,147.6	12,692.1	(455.5)
Total, Gross budget estimates	509,115.9	527,495.9	18,380.0
Income to the budget	(43,030.0)	(33,900.0)	9,130.0
Total, Net budget estimates	466,085.9	493,595.9	27,510.0

a/ Due to the implementation of PROMS, computer equipment needs to be upgraded.

b/ Due to increase in field security officers shared with other United Nations agencies.

c/ Due to enhanced PROMS Help Desk services.

d/ Due to United Nations reimbursement agreements concluded recently.

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Medium-term plan for the period 1999–2002: Financial plan and related recommendation**

Summary

The medium-term plan (MTP) is a rolling four-year plan that is updated every two years, except for the financial plan, which is updated yearly. This year's MTP contains only the financial MTP for the period 1999–2002 and the related recommendation.

The major purpose of the plan is to enable the Executive Board to review the previous year's financial plan as well as the updated income projections. The plan also provides the Board with a basis for determining the level of programme submissions that should be prepared for its 2000 sessions.

The Executive Director recommends that the Executive Board approve the MTP as a framework of projections for 1999–2002, including the preparation of up to $656 million in programme expenditures from regular resources to be submitted to the Executive Board in 2000. The amount is subject to the availability of resources and to the condition that estimates of income and expenditure made in the present plan continue to be valid.

* E/ICEF/1999/15.

** In conformity with common terms and definitions agreed to in the "Harmonization of budgets: UNDP, UNFPA and UNICEF" (E/ICEF/1997/AB/L.3 and Add.1), the term "general resources" is changed to "regular resources" and "supplementary resources" to "other resources".

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Contents

		Paragraphs	Page
I.	Funding target for 1999–2002	1–3	3
II.	Financial medium-term plan for 1999–2002	4–53	3
	A. The financial plan process	4–13	3
	B. 1998 performance compared with the financial plan	14–32	5
	C. Financial plan for 1999–2002	33–53	6
III.	Recommendation	54	8
Tables			
1.	UNICEF funding target, 1999–2002		3
2.	UNICEF financial plan: changes from prior plan		10
3.	UNICEF income projections		11
4.	Regular resources: yearly phasing of estimated expenditures		12
5.	UNICEF financial plan: summary (regular and other resources)		13
6.	UNICEF financial plan: regular resources		14
7.	UNICEF financial plan: other resources		15
Figures			
I.	Financial performance for 1998		16
II.	Income by category		17
III.	Income by category — percentages		17
IV.	Expenditure by type		18
V.	Cash balances		18

I. Funding target for 1999–2002

1. Executive Board decision 1998/22 (E/ICEF/1998/6/Rev.1) requested the Executive Director "to report on the funding targets necessary to achieve the goals of the medium-term plan [(MTP)] in the context of the resource mobilization strategy to be adopted by the Board in January 1999".

2. By its decision 1999/8, the Executive Board endorsed the funding target of annual growth in income of 7 per cent, to reach $1.5 billion by 2005, as a challenge for the mobilization of regular and other resources from Governments, the private sector and all other donors.

3. Table 1 updates the funding target based on the actual results of 1998 and continues to imply an annual growth rate in income of 7 per cent. Compared with the projected income level (see paragraphs 35–39 below), there is a gap of between $25 million to $50 million per year over the plan period.

Table 1
UNICEF funding target, 1999–2002
(In millions of United States dollars)

Year	*Regular resources target*	*Other resources target*	*Total funding target*[a]	*Targeted annual increase*	*Annual increase not covered by projected increase in income*
1999	606	422	1 034	68	25
2000	656	437	1 106	72	40
2001	709	454	1 184	77	39
2002	755	483	1 267	83	50

[a] Based on 1998 actual income.

II. Financial medium-term plan for 1999–2002

A. The financial plan process

4. The financial plan is a framework of projections that, to satisfy the specific financial requirements of UNICEF, has four main purposes:

(a) To estimate future regular and other resources income;

(b) To plan affordable levels of regular resources programme expenditures;

(c) To plan the budgetary estimates necessary to support programme expenditures;

(d) To maintain the liquidity requirement.

5. The financial plan projects income based on the results of the annual pledging conference, recent trends in contributions, the Programme Funding Office fund-raising targets and the work plan of the Private Sector Division (PSD). Expenditures are based on the outstanding amounts of approved programmes plus estimated expenditures on future programmes. Programme and budget plans, implementation experience and available resources provide the basis for the yearly phasing of expenditures.

6. The Executive Board approves budgets for country programme cooperation and the support budget for financing from regular resources. UNICEF has a biennial budget cycle; the Executive Board reviews the proposed support budget for the organization every two years. UNICEF prepares estimates of country programme cooperation to cover a longer period, usually four to five years, according to the national planning cycles of the countries involved.

7. Total regular resources programme expenditure projected in the present plan is based on future regular resources income expectations. Similarly, new regular resources country programme expenditures starting in future years are based on planning levels established on the basis of the allocations formula approved by the Executive Board.

8. Spending from other resources, except in specific circumstances approved by the Executive Board, begins upon receipt of pledges for other resources programmes previously approved by the Executive Board.

9. Actual amounts of income and expenditures can differ from the plan because:

(a) Income depends upon voluntary contributions;

(b) The rate of expenditures depends upon many factors, some of which are beyond the control of UNICEF;

(c) Fluctuation of rates of exchange, etc., adds considerable uncertainty to income and expenditure projections.

10. UNICEF does not have credit facilities to cover potential differences from planned income and expenditures. If regular resources income is lower than estimated, the main regulators of expenditures are:

(a) The amounts of new programmes submitted to the Executive Board for approval;

(b) Reducing the existing support budget;

(c) Slowing spending on already approved programmes.

11. Since these regulators take time to carry out, UNICEF must maintain a certain amount of cash as a liquidity provision. In addition to providing a cushion for planning errors, the liquidity provision covers the cash flow imbalance that normally occurs in the first part of the year when disbursements exceed receipts. To meet this requirement, the UNICEF liquidity policy recommends a minimum year-end regular resources convertible cash balance equal to 10 per cent of projected regular resources income. This financial plan sets planned regular resources expenditure at a level that maintains that target.

12. To manage the financial plan against uncertainties, UNICEF has a financial monitoring system that reviews progress against the plan, identifies deviations and prompts corrective action as necessary. Furthermore, UNICEF revises the financial plan each year on a "rolling basis" to reflect the latest income estimates. UNICEF uses the revised estimates to update the annual expenditure phasing and to determine the level of estimated programme cooperation to be prepared for the following years.

13. The major purpose of the plan is to enable the Executive Board to review the performance of the previous year's financial plan and UNICEF updated income projections. The plan provides the Executive Board with a basis for deciding the total level of programme submissions that UNICEF should prepare for sessions in 2000.

B. 1998 performance compared with the financial plan

14. Figure I provides a comparison between the actual 1998 results, the planned 1998 financial activities and the prior year's results.

Income

15. Total regular resources income was $571 million. This was $22 million more than the MTP and $24 million more than the actual in 1997.

16. Regular resources income from Governments for 1998 was $344 million. This was $3 million more than projected in the MTP and was attributable mainly to favourable exchange rates.

17. Regular resources income from the private sector (National Committees for UNICEF, including sales of greeting cards and other products, and non-governmental organizations) was $182 million. This was $2 million more than projected in the MTP and $20 million more than 1997.

18. Other income from miscellaneous sources was $44 million, $16 million more than the MTP.

19. Total other resources income was $395 million, $2 million more than the MTP and $40 million more than the actual in 1997. Regular contributions were $279 million, $6 million less than projected in the plan. Contributions for emergencies of $116 million were $8 million more than the MTP and $4 million more than the amount received in 1997. Contributions to emergencies included $45 million for the Sudan, $7 million for Angola, $6 million for Burundi, $6 million for the Democratic People's Republic of Korea and $5 million for Somalia. Contributions received for specific appeals included $9 million for Hurricane Mitch (Honduras, Nicaragua, Guatemala, El Salvador, Ecuador, Costa Rica, Belize) and $7 million for the countries of the former Yugoslavia.

20. Total UNICEF income for 1998 was $966 million. This was $24 million more than the 1998 MTP and $64 million more than total income in 1997.

Expenditures

21. Regular resources programme expenditures in 1998 were $268 million. This was $27 million less than the planned level.

22. Support budget expenditures for 1998 were $223 million. This was $23 million less than the MTP and attributable to exchange rate movements, postponement of expenditures to the second year of implementation and other savings.

23. Other resources programme expenditures for the year were $376 million. This was $32 million less than the MTP estimate.

24. Total expenditures in 1998, including write-off of pledges and other items, were $882 million, $67 million less than the MTP amount.

Cash balances

25. The 1998 year-end cash balance (including special accounts for procurement services and other activities) was $467 million. This was $62 million more than projected in the plan (see figure V for information on cash balances from 1993–1998 (actual) and 1999–2002 (planned)).

26. The regular resources cash balance at the end of 1998 was $138 million. This consisted of $126 million in convertible currencies and $12 million in non-convertible currencies. The convertible regular resources cash balance is $28 million more than the level in 1997 and $68 million more than the minimum liquidity guideline of $58 million.

27. The 1998 other resources cash balance was $278 million, $24 million more than in the MTP. The increase was due mainly to reductions in contributions receivable and inventory.

28. In addition to income and expenditures, movements in non-cash assets and liabilities on the balance sheet also affect year-end cash balances. Increases in assets reduce cash balances; increases in liabilities increase cash balances.

29. Contributions receivable are the largest non-cash asset on the UNICEF balance sheet. Regular resources contributions receivable decreased by $14 million and other resources contributions decreased by $5 million in 1998.

30. Inventories consist of the Supply Division warehouse and PSD stock. The Supply Division uses inventory to meet the requirements for standard supply and equipment items for UNICEF programmes and also for procurement services. At the end of 1998, inventories totalled $21 million, representing a decrease of $4 million from 1997.

31. Contributions for following years received in advance appear as a liability on the UNICEF balance sheet. At the end of 1998, contributions received in advance totalled $2.9 million. This represented an increase of $1.7 million over 1997.

32. The net effect on regular resources cash balances of all changes in non-cash assets and liabilities was to decrease cash by $43 million. For other resources, the net effect on cash balances of all changes in non-cash assets and liabilities was to increase cash by $1 million.

C. Financial plan for 1999–2002

33. A comparison of this year's financial MTP to last year's plan is shown in table 2.

34. Total planned programme expenditures for 1999 through 2002 are higher than in last year's financial MTP due to increased regular resources and other resources income forecast compared to last year's financial MTP.

Income projections for 1999–2002

35. Table 3 shows income projections from various sources for the period 1999–2002. These projections are set for planning purposes and do not imply a commitment by individual donors since all contributions to UNICEF are voluntary. They are in United States dollars using the May 1999 United Nations rates of exchange.

36. The financial plan forecasts total income for 1999 of $1,009 million, 4 per cent higher than 1998. The plan forecasts that total income will increase to $1,041 million by 2000, a 3 per cent increase over 1999. Total income is forecast to increase by 4 per cent to $1,079 million during 2001 and 3 per cent to a total of $1,112 million in 2002. UNICEF actual average annual growth for the five years preceding the plan was 4 per cent.

Regular resources income

37. The financial plan forecasts total regular resources income to be $584 million in 1999. This is $18 million more than forecast for 1999 in last year's financial MTP. Total regular

resources income is forecast to grow by 3 per cent in 2000 and 4 per cent each in 2001 and 2002.

38. Table 6 shows the various sources of regular resources income. The breakdown is as follows:

(a) *Government contributions*. Most Governments are expected to maintain their contributions at the 1998 level, and a few have already increased their 1999 contribution to regular resources. As a result, the $584 million projected for 1999 is $13 million more than UNICEF received in 1998. For the period 2000–2002, the financial plan forecasts an average annual growth of almost 4 per cent;

(b) *Private sector contributions*. The projections reflect a revised estimate of the PSD work plan (E/ICEF/1999/AB/L.5) which was discussed and approved by the Executive Board at its first regular session of 1999 (E/ICEF/1999/7 (Part I), decision 1999/2). Net income from the private sector includes proceeds from the sale of greeting cards and other products and private sector fund-raising. The financial plan forecasts that UNICEF will record private sector income of $190 million in 1999 and that this will increase to $228 million by 2002;

(c) *Other income*. Other income consists of gains/losses as a result of exchange rate movements and other miscellaneous items. Other income is forecast to average $40 million a year throughout the plan period.

Other resources income

39. UNICEF receives contributions for other resources for programmes and for emergency relief. Table 3 shows the forecast of these contributions separately. The 1999 financial plan forecasts an increase of 8 per cent in other resources income in 1999, and an average annual growth of almost 3 per cent during the period 2000–2002.

Liquidity

40. To meet liquidity requirements, the UNICEF liquidity policy recommends a minimum year-end regular resources convertible cash balance equal to 10 per cent of projected regular resources income. This financial plan sets planned regular resources expenditures at a level that maintains that target.

41. Supplementary programmes are normally fully funded before implementation begins. Therefore, the cash balance for other resources is higher than for regular resources. The year-end cash balance can vary widely depending on the timing of the receipt of funds and the implementation of programmes. For example, if large cash contributions are received late in the year, the year-end cash balance will be high because most of the spending on the related programmes will occur in the following year. This financial plan assumes that the other resources cash balance will increase by an average of about 2 per cent annually during the plan period.

Projected programme expenditures

42. At the beginning of 1999, there was an unspent balance of approved regular resources programme commitments of $1,015 million planned for implementation from 1999 through 2002.

43. Regular resources programmes proposed to the Executive Board in 1999 amount to $234 million. These programme recommendations are summarized in the programme "round up" document (E/ICEF/1999/P/L.16).

44. The plan provides for the preparation of $656 million of regular resources programme proposals for the approval of the Executive Board in 2000. If future information about projected income shows levels different from the plan, the scale of programme preparation will be adjusted accordingly.

45. The 1999–2002 level of planned spending is in line with the goal of maximizing programme expenditures while maintaining regular resources liquidity. The estimated yearly phasing of expenditures on approved, new and future programme recommendations is shown in table 4.

46. The plan proposes regular resources programme expenditures of $347 million in 1999, $79 million more than the amount spent in 1998. Planned programme expenditures are $380 million for 2000, $390 million for 2001 and $395 for 2002.

47. The unspent balance of programme cooperation from other resources was $367 million at the end of 1998. The financial plan forecasts that other resources programme expenditure will be in line with the expected income levels for 1999 through 2002.

48. Total programme spending for 1999 is forecast at $766 million. The financial plan forecasts total programme expenditures to increase to $812 million in 2000, $836 million in 2001 and $845 million in 2002. However, actual spending will depend on achieving the levels of contributions expected in the present plan.

49. Total programme support and management and administration expenditures in 1998 were $23 million less than the MTP. In comparison with the 1998 MTP, the current financial plan assumes a 3 per cent decrease in the support budget for 1999 and an annual reduction of almost 4 per cent for the period 2000–2001.

Assets and liabilities

50. As explained in paragraph 28 above, movements in non-cash assets and liabilities affect year-end cash balances. Line 4 in tables 5, 6 and 7 shows the forecasted effect of these movements.

51. At its 1990 regular session, the Executive Board approved a capital asset fund to be used for field office accommodation and staff housing (E/ICEF/1990/13, decision 1990/26). At the end of 1998, $15 million remained to be spent from the fund. Estimated spending from this fund is $5 million during the period 2000–2002.

52. All the above items — income, expenditure and liquidity — are summarized in table 5, with a breakdown of regular resources in table 6 and other resources in table 7. Figures II through V show actual and forecasted financial information by source of funds.

53. Although they are not included in UNICEF income and expenditure figures, special accounts for procurement services, programme implementation and other activities are a significant part of UNICEF operations. In 1998, obligations and disbursements from special accounts totalled $171 million.

III. Recommendation

54. The Executive Director *recommends* that the Executive Board approve the following draft recommendation:

The Executive Board

1. *Takes note* of the MTP (E/ICEF/1999/AB/L.11) as a flexible framework for supporting UNICEF programmes;

2. *Approves* the MTP as a framework of projections for 1999–2002 (summarized in table 5), including the preparation of up to $656 million in programme expenditures from regular resources to be submitted to the Executive Board in 2000 (shown in table 4, item 3). The amount is subject to the availability of resources and to the condition that estimates of income and expenditure made in this plan continue to be valid.

Table 2. UNICEF financial plan: changes from prior plan

(In millions of United States dollars)

	1998	1999	2000	2001	2002
Regular resources income					
1998 medium-term plan	549	566	590	618	n/a
1999 medium-term plan	571	584	604	630	655
Change	22	18	14	12	n/a
Percentage change	4	3	2	2	n/a
Regular resources programme expenditures					
1998 medium-term plan	295	309	322	349	n/a
1999 medium-term plan	268	347	380	390	395
Change a/	- 27	38	58	41	n/a
Percentage change	- 9	12	18	12	n/a
Programme support and management and administration					
1998 medium-term plan	246	250	255	259	n/a
1999 medium-term plan	223	243	244	250	257
Change	- 23	- 7	- 11	- 9	n/a
Percentage change	- 9	- 3	- 4	- 3	n/a
Other resources income					
1998 medium-term plan	393	405	418	426	n/a
1999 medium-term plan	395	425	437	449	457
Change	2	20	19	23	n/a
Percentage change	1	5	5	5	n/a
Other resources programme expenditures					
1998 medium-term plan	408	421	435	443	n/a
1999 medium-term plan	376	419	432	446	450
Change	- 32	- 2	- 3	3	n/a
Percentage change	- 8	0	- 1	1	n/a
Total income					
1998 medium-term plan	942	971	1 008	1 044	n/a
1999 medium-term plan	966	1 009	1 041	1 079	1 112
Change	24	38	33	35	n/a
Percentage change	3	4	3	3	n/a
Total expenditures (excluding write-off and miscellaneous)					
1998 medium-term plan	949	980	1 012	1 051	n/a
1999 medium-term plan	867	1 009	1 056	1 086	1 102
Change	- 82	29	44	35	n/a
Percentage change	- 9	3	4	3	n/a

Table 3. UNICEF income projections

(In millions of United States dollars)

	Average % last 5 years	Actual 1997	Actual 1998	Plan 1999	Plan 2000	Plan 2001	Plan 2002
Regular resources							
Governments		358	344	354	363	374	387
Private sector		162	182	190	201	216	228
Other income		27	45	40	40	40	40
Total, Regular resources		547	571	584	604	630	655
Growth (%)	2	- 1	4	2	3	4	4
Other resources							
(a) Regular							
Governments		139	178	185	194	200	206
Private sector		108	102	116	115	115	115
Other income		- 4	-1	0	0	0	0
Subtotal, Programmes		243	279	301	309	315	321
Growth (%)	13	- 15	15	8	3	2	2
(b) Emergencies							
Governments		98	81	88	90	94	94
Private sector		15	35	36	38	40	42
Other income		- 1	0	0	0	0	0
Subtotal, Emergencies		112	116	124	128	134	136
Growth (%)	0	6	4	7	3	5	1
Total, Other resources		355	395	425	437	449	457
Growth (%)	8	- 10	11	8	3	3	2
Total income		902	966	1 009	1 041	1 079	1 112
Growth (%)	4	- 4	7	4	3	4	3

Table 4. Regular resources: yearly phasing of estimated expenditures

(In millions of United States dollars)

	1999	2000	2001	2002	Beyond 2002	Total recommendations
Field office recommendations						
1. Programme balances available from funds approved in prior years a/	343	265	132	56	219	1 015
2. Programmes to be submitted to 1999 Executive Board sessions		78	76	43	37	234
3. Programmes to be prepared for 2000 Executive Board sessions		6	145	169	336	656
4. Programmes to be prepared for 2001 and future Executive Board sessions			5	95	300	400
5. Amount set aside		26	27	27		
6. Estimated allocation of net income from sale of greeting cards and other products in countries with UNICEF programmes	4	5	5	5		
7. Subtotal: Programme expenditure	347	380	390	395		
Support budget recommendations						
8. Approved at first regular Executive Board session of 1998	261					261
9. To be prepared for Executive Board in 2000		268	278			546
10. Income to the budget	-18	- 24	- 28			
11. Total expenditures	590	624	640	652		

a/ Allocation by country is shown in statement VI-1 of the "Interim financial report and statements for the year ended 31 December 1998, the first year of the biennium 1998-1999" (E/ICEF/1999/AB/L.12).

Table 5. UNICEF financial plan: summary (regular and other resources)

(In millions of United States dollars)

	Actual		Plan			
	1997	1998	1999	2000	2001	2002
1. Income	902	966	1 009	1 041	1 079	1 112
Growth (%)	- 11	7	4	3	4	3
2. Expenditures						
(a) Programme assistance	673	644	766	812	836	845
Growth (%)	- 16	- 4	19	6	3	1
(b) Programme support and management and administration	240	223	243	244	250	257
Growth (%)	15	- 7	9	0	2	3
(c) Write-offs and miscellaneous	6	15	0	0	0	0
Total expenditures	919	882	1 009	1 056	1 086	1 102
Growth (%)	- 10	- 4	14	5	3	1
3. Income less expenditures	- 17	84	0	- 15	- 7	10
4 Movements non-cash assets/ liabilities	5	- 42	12	- 15	- 18	- 15
5. Year-end cash balance						
(a) Convertible currencies	367	404	420	390	365	360
(b) Non-convertible currencies	7	12	8	8	8	8
Total cash balance	374	416	428	398	373	368

Table 6. UNICEF financial plan: regular resources

(In millions of United States dollars)

	Actual		Plan			
	1997	1998	1999	2000	2001	2002
1. Income	547	571	584	604	630	655
Growth (%)	2	4	2	3	4	4
2 Expenditures						
(a) Programme assistance	284	268	347	380	390	395
Growth(%)	- 19	- 6	29	10	3	1
(b) Programme support and management and administration	240	223	243	244	250	257
Growth(%)	15	- 7	9	0	2	3
(c) Write-offs and miscellaneous	1	4	0	0	0	0
Total expenditures	525	495	590	624	640	652
Growth (%)	- 7	- 6	19	6	3	2
3 Income less expenditures	22	76	- 6	- 20	- 10	3
4. Movements non-cash assets/ liabilities	- 2	- 43	12	- 15	- 18	- 15
5. Year-end cash balance						
(a) Convertible currencies	98	126	136	101	73	61
(b) Non-convertible currencies	7	12	8	8	8	8
Total cash balance	105	138	144	109	81	69
Liquidity guideline compared to year-end cash balance						
(a) Liquidity guideline	57	58	60	63	66	67
(b) Convertible currency balance net of future year contributions received in advance.	98	126	136	101	73	61

Table 7. UNICEF financial plan: other resources

(In millions of United States dollars)

	Actual		Plan			
	1997	1998	1999	2000	2001	2002
1. Income	355	395	425	437	449	457
Growth (%)	- 25	11	8	3	3	2
2. Expenditure						
(a) Programme assistance-regular	260	261	295	304	310	316
Growth (%)	- 4	0	13	3	2	2
(b) Programme assistance-emergency	129	115	124	128	136	134
Growth (%)	- 30	- 11	8	3	6	- 1
(c) Write-offs and miscellaneous	5	11	0	0	0	0
Total expenditures	394	387	419	432	446	450
Growth (%)	- 14	- 2	8	3	3	1
3. Income less expenditures	- 39	8	6	5	3	7
4. Movements non-cash assets/liabilities	7	1	0	0	0	0
5. Year-end cash balance						
(a) Convertible currency	269	278	284	289	292	299
(b) Non-convertible currencies	0	0	0	0	0	0
Total cash balance	269	278	284	289	292	299

Figure I

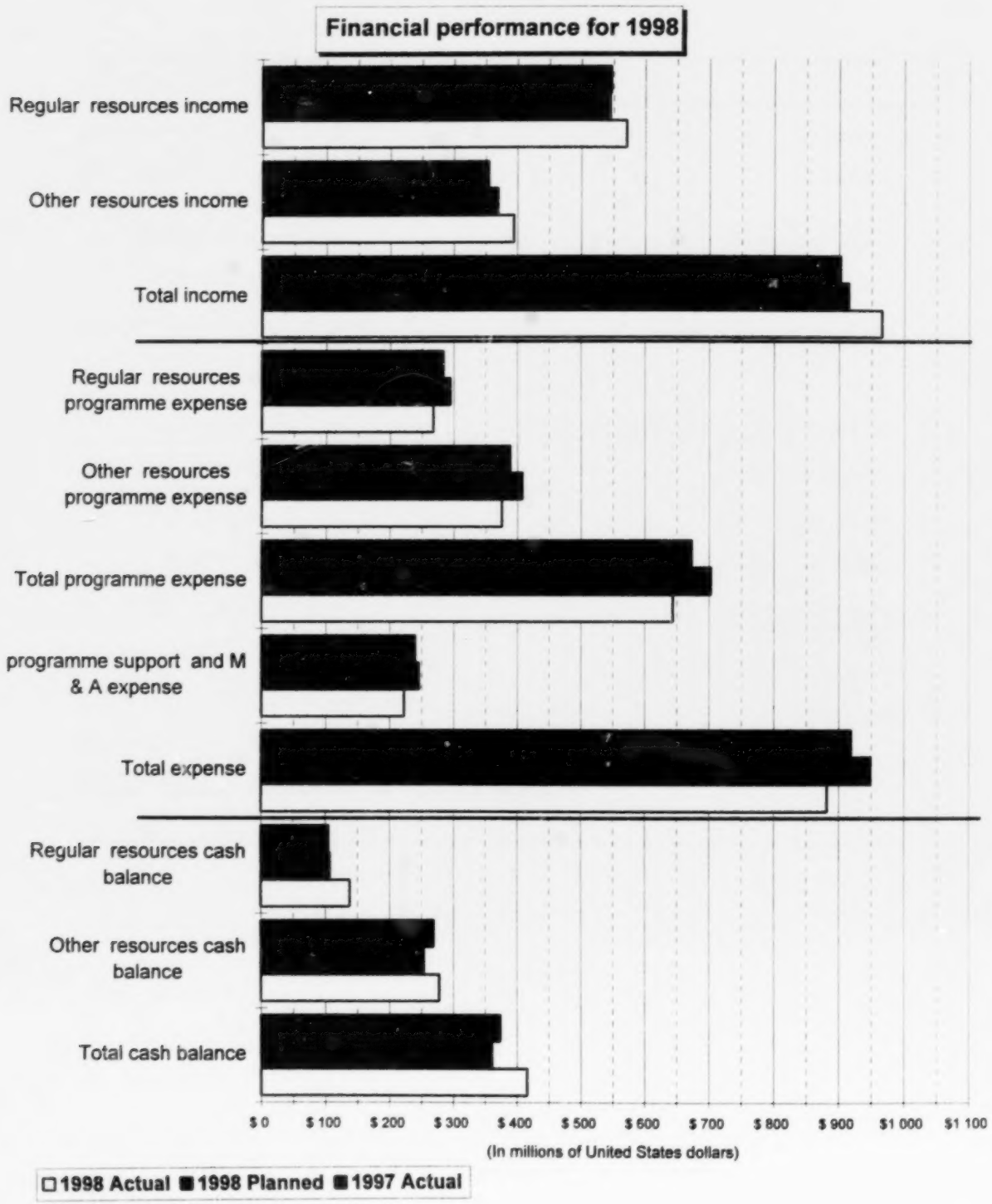
Financial performance for 1998
Regular resources income
Other resources income
Total income
Regular resources programme expense
Other resources programme expense
Total programme expense
programme support and M & A expense
Total expense
Regular resources cash balance
Other resources cash balance
Total cash balance
$ 0
$ 100
$ 200
$ 300
$ 400
$ 500
$ 600
$ 700
$ 800
$ 900
$1 000
$1 100
(In millions of United States dollars)
1998 Actual
1998 Planned
1997 Actual

Figure II

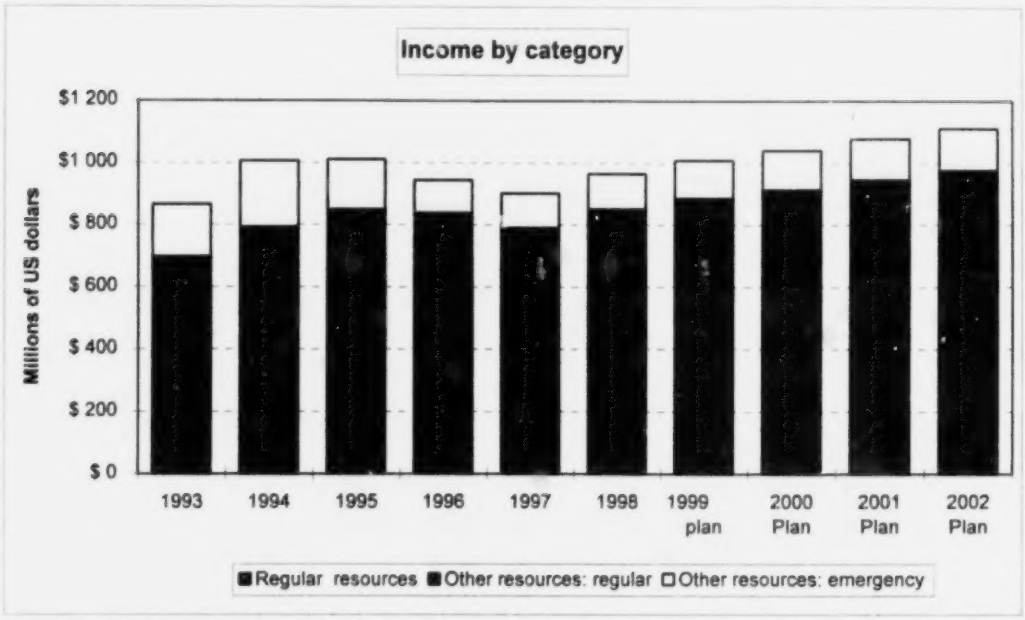

Figure III

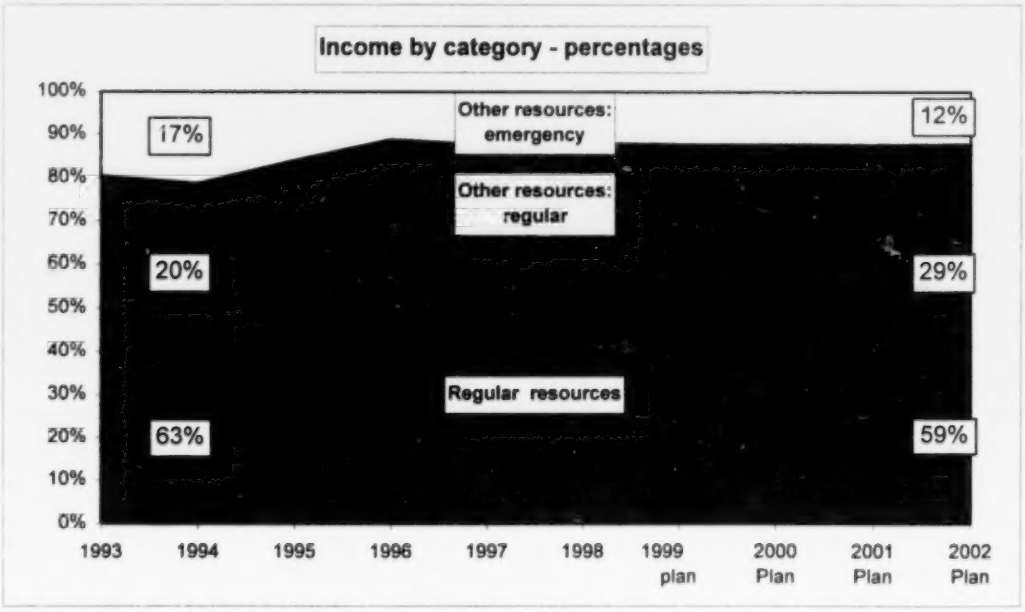

Figure IV

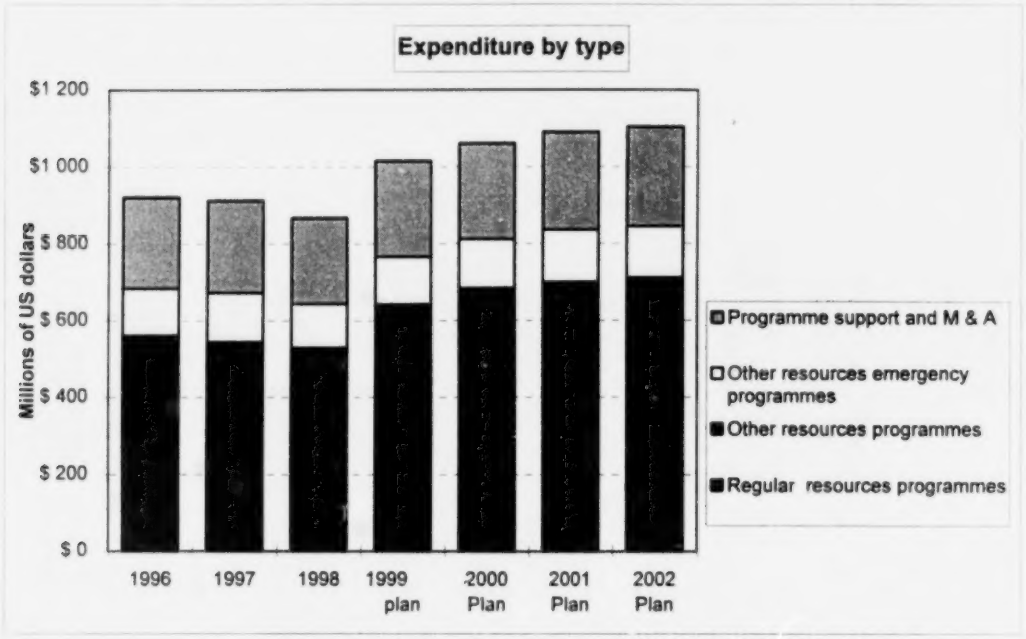

Figure V